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FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended January 31, 1992

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 0-9006

TEXON ENERGY CORPORATION
(Exact name of registrant as specified in its charter)

Texas	75-1301801
(State or other jurisdiction of incorporation or organization)	(I. R. S. Employer Identification)

c/o Stanwich Partners, Inc., One Stamford Landing,
62 Southfield Avenue, Stamford, Connecticut 06902
(Address of Principal Executive Offices)
(Zip Code)

(203) 325-0551
(Registrant's telephone number, including area code)

104 South Warner Street, Oneida, New York 13421
Former name, former address and former Fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes X No ____

As of January 31, 1992, the Registrant had 9,336,322 common shares outstanding.

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INDEX

TEXON ENERGY CORPORATION AND SUBSIDIARIES

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Consolidated Balance Sheets January 31, 1992 (Unaudited) and April 30, 1991.

Consolidated Statements of Operations for the Three Months and Nine Months Ended January 31, 1992 and 1991 (Unaudited)

Consolidated Statements of Cash Flows for the Three Months and Nine Months Ended January 31, 1992 and 1991 (Unaudited)

Notes to Consolidated Financial Statements (Unaudited)

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

PART II. OTHER INFORMATION

Item 3. Defaults Upon Senior Securities

Item 6. Exhibits and Reports on Form 8-K

SIGNATURES

TEXON ENERGY CORPORATION AND SUBSIDIARIES
PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS
CONSOLIDATED BALANCE SHEETS ($ in 000's)

	January 31, 1992 (Unaudited)	April 30, 1991 (Note 1)
Assets		
Current Assets:		
Cash	$ 117	$ 132
Accounts Receivable, net of allowance for doubtful accounts of $127 and $283, respectively	8,210	5,543
Inventories (Note 2)	3,603	2,201
Customer tooling-in-progress	892	1,540
Other	45	79
Total current assets	12,867	9,495
Property, plant and equipment	20,480	10,744
Less: accumulated depreciation	(12,299)	(6,024)
Property, plant & equipment-net	8,181	4,720
Organization and debt issuance costs	412	561
Goodwill (Note 3)	945	-
Investment in subsidiary (Note 3)	-	1,670
Total assets	$22,405	$16,446

TEXON ENERGY CORPORATION AND SUBSIDIARIES
PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS
CONSOLIDATED BALANCE SHEETS (CONTINUED) ($ in 000's)

	January 31, 1992 (Unaudited)	April 30, 1991 (Note 1)
Liabilities and stockholders' deficit		
Current Liabilities:		
Current portion of long-term debt (Notes 4 and 5)	$ 9,529	$ 5,161
Long-term debt classified as current due to events of default (Notes 4 and 5)	23,089	-
Accounts payable	8,759	6,109
Advances from customers	1,007	1,484
Accrued interest	1,243	313
Other accrued expenses	4,135	2,555
Total current liabilities	47,762	15,622
Long-term debt - net of amounts classified as current (Notes 4 and 5)	5,254	28,130
Long-term debt - related parties	7,127	6,651
Accrued interest and guarantee fees - related parties	8,773	7,399
Total liabilities	68,916	57,802
Minority interest	431	-
Preferred stock of consolidated subsidiary	290	290
Mandatorily redeemable 12% Series B preferred stock	360	360
Stockholders' deficit:		
Common stock, $.20 par value - 15,000,000 shares authorized, 9,886,322 issued of which 550,000 are in treasury	1,977	1,977
Preferred stock, Series C convertible, $.50 par value - 250,000 shares authorized and issued of which 212,500 are in treasury	125	125
Additional paid in capital	12,811	12,811
Adjustment to stockholders' deficit resulting from combination of entities under common control	(2,450)	(2,450)
Cumulative translation adjustment	104	-
Accumulated deficit	(60,159)	(54,469)
Less: treasury stock	-	-
Total stockholders' deficit	(47,592)	(42,006)
Commitments and contingencies		
Total liabilities and stockholders' deficit	$ 22,405	$ 16,446

TEXON ENERGY CORPORATION AND SUBSIDIARIES
PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS
CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED) ($ in 000's)

	Three Months Ended		Nine Months Ended	
	January 31, 1992	January 31, 1991	January 31, 1992	January 31, 1991
Revenue				
Net sales	$ 14,325	$ 8,441	$ 38,600	$ 27,046
Expenses				
Cost of sales	(12,312)	(7,286)	(33,966)	(23,043)
Selling and administrative	(1,671)	(1,286)	(5,028)	(3,909)
Interest and guarantee fees	(1,566)	(1,025)	(4,728)	(4,082)
Other income (expense)-net	(59)	(59)	(33)	(25)
Loss from continuing operations before income taxes, minority interest in earnings of subsidiary and equity in loss of unconsolidated subsidiary and before extraordinary item	(1,283)	(1,215)	(5,155)	(4,013)
Income taxes	(21)	-	(38)	-
Minority interest in earnings of subsidiary	(56)	-	22	-
Equity in loss of unconsolidated subsidiary (Note 3)	-	-	(400)	-
Loss from continuing operations	(1,360)	(1,215)	(5,571)	(4,013)
Discontinued operations:				
Income (loss) from operations	-	124	-	(43)
Gain on disposition	-	1,720	-	1,897
Total discontinued operations	-	1,844	-	1,854
Extraordinary item: gain on debt extinguishment	-	4,089	-	4,089
Net Income (Loss)	$(1,360)	$ 4,718	$(5,571)	$ 1,930
Per common and equivalent share:				
Loss from continuing operations	$ (.15)	$ (.13)	$ (.60)	$ (.40)
Loss from discontinued operations	-	.19	-	.19
Extraordinary item	-	.42	-	.41
Net Income (Loss)	$ (.15)	$ .48	$ (.60)	$ .20
Weighted average number of common and equivalent shares outstanding	9,336,322	9,850,452	9,336,322	9,874,203

TEXON ENERGY CORPORATION AND SUBSIDIARIES
PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED) ($ in 000's)

	Three Months Ended		Nine Months Ended	
	January 31, 1992	January 31, 1991	January 31, 1992	January 31, 1991
NET CASH PROVIDED BY (USED IN) OPERATIONS	$ 120	$ 4,575	$ (1,365)	$ 4,512
CASH FLOWS FROM INVESTING ACTIVITIES:				
Cash acquired in business combination	-	-	420	-
Decrease in investment in unconsolidated subsidiary	-	1,061	-	891
Proceeds from sale of discontinued operations	-	-	442	-
Capital expenditures	(68)	-	(444)	-
Disposal of fixed assets	282	-	751	-
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	214	1,061	1,169	891
CASH FLOWS FROM FINANCING ACTIVITIES:				
Net change in revolving loans	158	-	3,564	-
Increases in long-term debt	362	-	3,270	-
Repayments of long-term debt	(735)	(5,493)	(6,658)	(5,639)
Net changes resulting from three year audit	-	(200)	-	-
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(215)	(5,693)	176	(5,639)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(2)	-0-	5	-0-
NET INCREASE (DECREASE) IN CASH	117	(57)	(15)	(236)
Cash at beginning of period	-0-	92	132	271
Cash at end of period	$ 117	$ 35	$ 117	$ 35
Supplemental information:				
Interest paid	$ 801	$ 569	$ 2,491	$ 2,555
Income taxes paid	$ 21	$ -0-	$ 38	$ -0-

TEXON ENERGY CORPORATION AND SUBSIDIARIES
PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Note 1 - BASIS OF PREPARATION

The consolidated financial statements include the accounts of Texon Energy Corporation (the "Company" or "Texon"); its wholly owned subsidiaries, DPL Holdings, Inc. ("Holdings") and Oneida Products Acquisition Corp. ("OPAC") including all of OPAC's wholly owned subsidiaries, and its 80% owned subsidiary, Data Packaging International, Inc. ("DPI"); and Data Packaging, Limited ("DPL"), which is owned 55% by DPI and 25% by Holdings (see Note 3). All significant intercompany transactions and balances are eliminated.

The consolidated balance sheet as of April 30, 1991 has been derived from the audited financial statements at that date. The consolidated balance sheet as of January 31, 1992, the consolidated statements of operations for the three months and nine months ended January 31, 1992 and 1991, and the consolidated statements of cash flows for the three months and nine months ended January 31, 1992 and 1991 have been prepared by the Company without audit. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows at January 31, 1992 and for all periods presented have been made.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. It is suggested that these consolidated financial statements be read in conjunction with the financial statements and notes thereto included in the Company's annual report on Form 10-K for the year ended April 30, 1991. The results of operations for the three months and nine months ended January 31, 1992 are not necessarily indicative of the operating results of the full year.

NOTE 2 - INVENTORIES

The components of inventory are as follows ($ in 000's):

	January 31, 1992	April 30, 1991
Raw materials	$ 2,316	$ 1,468
Work-in-progress	831	580
Finished goods	456	153
	$ 3,603	$ 2,201

The increase in inventories includes $1,730 from the acquisition of DPL (see Note 3).

NOTE 3 - ACQUISITION OF ADDITIONAL INTEREST IN SUBSIDIARY AND CHANGE FROM EQUITY ACCOUNTING TO CONSOLIDATION

On June 28, 1991, Holdings acquired 2,400 common shares of DPL representing 25% of the outstanding common shares of DPL. Because DPI already owned 55% of the common shares, the Company now owns 80% of the outstanding DPL common shares. In connection with this transaction, the DPL shareholders agreed to modify certain voting restrictions, which limited the Company's votes with respect to its shares of DPL. Because of those restrictions, the Company had previously accounted for its 55% investment in DPL using the equity method. As a result of these transactions, DPL is included as a consolidated subsidiary effective June 28, 1991.

The stated purchase price for the 25% interest acquired June 28, 1991 totalled $1,787,500. Such price is evidenced by a $1,430,000 non-interest bearing note ("the Holdings Note") which provides for payments of $225,000 on May 1, 1992 and $1,205,000 on November 1, 1992. The remainder of the purchase price is due on October 31, 1992 and, if not paid by that date, begins accruing interest at 12% per year.

The present value, at 12%, of the stated purchase price is approximately $1,536,000, which amount exceeded the value of the net assets acquired by approximately $1,003,000. Accordingly, the difference has been recorded as goodwill and is being amortized over ten years from the date of acquisition.

The unaudited pro forma condensed results of operations of the Company for the nine months ended January 31, 1992 and 1991 after giving effect to certain pro forma adjustments to reflect the purchase as if it had occurred May 1, 1991 and 1990, respectively, are as follows ($ in 000's):

	Pro Forma Nine Months Ended	
	January 31, 1992	January 31, 1991
Net Sales	$ 42,585	$ 31,029
Loss from continuing operations	(5,175)	(4,038)
Net Loss	(5,175)	(1,955)
Per common and equivalent share:		
Continuing operations	(.55)	(.41)
Net Loss	(.55)	(.20)

The pro forma results of operations are not necessarily indicative of the actual operating results that would have occurred had the transaction been consummated as of May 1, 1991 or 1990 or of future operating results.

NOTE 4 - REFINANCING AND DEBT RESTRUCTURING

On August 12, 1991, OMPC and its subsidiaries (indirect wholly owned subsidiaries of OPAC and collectively referred to as "OMPC") obtained a financing facility of up to $8 million from Congress Financial Corporation ("Congress"). This facility consists of five-year term loans of $2,750,000, and revolving loans, with an initial maximum of $5,250,000, based on the value of OMPC's accounts receivable and inventory. The revolving loan maximum will increase as the term loans are repaid. Interest on the term and revolving loans is at prime plus 2-1/2 percent with a default rate of prime plus 5-1/2 percent. In addition, the loans require an annual facility fee of $80,000 and quarterly audit fees, as defined. These loans are secured by substantially all of OMPC's assets and are subject to early termination fees if they are terminated or in default prior to August 12, 1994. On August 12, 1991, OMPC borrowed approximately $4,800,000 from Congress pursuant to this facility.

In connection with the Congress financing, the Company and Signal Capital Corporation ("Signal") entered into a debt restructuring arrangement pursuant to which (i) the Company's remaining obligations to Signal were consolidated into a new note in the principal amount of approximately $24,171,000 (the "Consolidation Note"), due on June 30, 1993, from OMPC to Signal bearing interest at 15% per annum, increasing to 16.5 percent per annum in the event of a default, (ii) Signal was repaid $4,400,000 from the proceeds of the Congress Financing and $280,000 immediately thereafter, (iii) Oneida Products Corp. ("OPC" a wholly owned subsidiary of OPAC) assumed the obligations to Signal and issued a note in the principal amount of approximately $19,491,000 to Signal to replace the Consolidation Note, (iv) Signal released OMPC from its obligations to Signal except for liabilities arising as a result of Signal's guaranty of a $2,000,000 note to General Electric Company ("GEC"), (v) Signal released its liens on the assets of OMPC, (vi) Texon, OPAC, Holdings, and DPI continue to guarantee the obligations to Signal, and (vii) Signal continues to have a security interest in all or substantially all of the assets of Texon, OPAC, OPC, DPI and Holdings, other than shares of DPL acquired by Holdings in June 1991 (Note 3).

Also in connection with the debt restructuring, Texon, OPAC, OPC, OMPC, DPI, Holdings, Messrs. Bradley and Debroux (shareholders and directors of Texon), Stanwich Partners, Inc. ("Stanwich") and Stanwich Oil & Gas, Inc. ("SOG") (companies in which Mr. Bradley has significant interests) released each other from certain liabilities except for (i) promissory notes in the original amount of $759,000

owed by OMPC to SOG, (ii) Mr. Bradley's claim for a five percent guaranty fee in connection with the Congress loans (see below), (iii) claims of Messrs. Bradley and Debroux, Stanwich and SOG against Texon, OPAC, DPI and Holdings, (iv) claims under an equipment sublease between DPI, as sublessor, and OMPC, as subleasee, and (v) certain other specified claims.

As part of the debt restructuring, Costar Corporation ("Costar") released Texon, OPAC, OPC and OMPC from all obligations and liens to Costar. DPI and Holdings continue to be obligated to Costar under separate agreements in connection with the acquisition of DPI assets and of DPL shares.

In connection with his guaranty of up to $2 million of the Congress loans, Mr. Bradley is entitled to a guaranty fee from OMPC of 5 percent per annum of the principal amount of the guaranteed obligations outstanding. Forty percent of this fee is payable in equal monthly installments commencing August 31, 1991 and 60 percent is payable on the date the Congress loans and the obligations to Signal have been paid in full. Agreements with Signal prohibit the payment of these monthly installments until January 1992.

As part of the debt restructuring, Mr. Bradley agreed to pay to Signal the proceeds, up to $10 million, from the sale of his securities in two other companies in partial satisfaction of amounts owed to Signal by OPC. Promissory notes received as part of the sales proceeds will be pledged to Signal or held in escrow and the payments paid over to Signal. Mr. Bradley guaranteed the remaining obligations to Signal, which guaranty will be reduced to a maximum of $10 million if Mr. Bradley makes the agreed payments, transfers into escrow, and pledges as described above. Signal agreed to release certain shares previously pledged to Signal by Mr. Bradley and SOG if the principal amount of Texon's obligations to Signal is reduced by $10 million. Any payments to Signal pursuant to the foregoing will be deemed loans from Mr. Bradley to the Company and will be subordinated to the Company's obligations to Signal.

Mr. Bradley, Stanwich and SOG agreed to subordinate to Signal all obligations owed to them by Texon and its subsidiaries. Mr. Bradley, Stanwich and SOG also agreed to subordinate to Congress all obligations owed to them by OMPC.

NOTE 5 - DEFAULTS ON DEBT

Loans Payable to Congress

At January 31, 1992, OMPC and its subsidiaries were not in compliance with certain financial covenants, contained in the loan agreements

with Congress, relating to maintaining a specified minimum level of net worth and not exceeding certain limits on capital expenditures. Congress has not taken any action to accelerate payment of the loans or enforce any other remedies, but there can be no assurances that it will not do so. Congress has not agreed to waive these events of noncompliance.

Note Payable to Signal

As a result of the noncompliance with the financial covenants in the Congress loan agreements, the Company is not in compliance with covenants in its restructured loan agreement with Signal. Signal has not taken any action to accelerate payment of the note or enforce any other remedies, but there can be no assurance that it will not do so. Signal has not agreed to waive this event of noncompliance.

Note Payable to GEC

In February 1992 (subsequent to the balance sheet date), OMPC and its subsidiaries failed to pay, when due, a principal payment to GEC in the amount of $50,000. GEC has not waived this event of default, but the Company does not expect GEC to take any action to accelerate this debt because arrangements have been made to pay this amount in four weekly installments during March 1992.

Notes Payable to Costar

On October 31, 1991, DPI failed to pay, when due, $1,081,086 principal and $68,122 interest to Costar under DPI's debt obligation incurred in connection with the acquisition of DPI assets (the "Somerset Note"). On November 1, 1991, DPI received from Costar a notice of default, demanding immediate payment to cure the default. DPI was unable to make such payment (having discontinued its operations in 1989).

On November 14, 1991 DPI and Holdings received from Costar a letter declaring immediately due and payable the entire principal amount ($3,231,086) of the Somerset Note plus all accrued interest thereon, and the entire principal amount ($1,430,000) of the Holdings Note (see Note 3). Messrs. Bradley and Debroux, as guarantors of the Somerset Note and of a portion of the Holdings Note, also received demand for payment under the guarantees. The common shares of DPL owned by DPI and by Holdings are pledged as collateral for these notes.

Costar commenced a lawsuit against Messrs. Bradley and Debroux (the "Litigation") to enforce the obligations under the guarantees, and obtained a prejudgment remedy pursuant to which Costar obtained certain attachments against their assets, and the court entered an order restraining the transfer of assets except under certain specified circumstances. Messrs. Bradley and Debroux filed a motion to dissolve the prejudgment remedy.

On January 3, 1992 DPI and Holdings and Messrs. Bradley and Debroux entered into a letter agreement with Costar pursuant to which Costar agreed to forbear in exercising its remedies under the notes and the various guarantees and to forbear from enforcing the judgment it expects to receive in the Litigation. To induce Costar to forbear (i) Messrs. Bradley and Debroux agreed to extend their guarantee to the full amount of the Holdings Note and to provide certain additional collateral; (ii) Messrs. Bradley and Debroux entered into a Stipulation to Judgment in the amount of the sum of the entire principal balances plus accrued interest plus collection costs due under both the Somerset Note and the Holdings Note and withdrew their motion to dissolve the prejudgment remedy; (iii) Costar agreed to hold the Stipulation to Judgment in escrow and not to file or enforce it unless further default occurs; (iv) DPI and Holdings agreed to cause DPL to provide certain information to Costar; (v) Mr. Bradley paid Costar $127,339.21 (representing interest on the Somerset Note through January 31, 1992); (vi) Messrs. Bradley and Debroux agreed to pay Costar $1,081,086 of principal under the Somerset Note and $225,000 of principal under the Holdings Note on or before February 1, 1992 (the "February Payments"); and (vii) they agreed to pay the remaining principal and interest payments under the notes when due, and they agreed to reimburse Costar for all collection costs.

On February 4, 1992 Costar agreed that it would accept partial payment of $130,000 and extend the due date for the balance of the February Payments ($1,176,086) until February 18. Mr. Bradley made the $130,000 partial payment on February 5. On February 25, 1992 Costar agreed to further extend the due date of the balance of the February Payments until April 1, 1992 in exchange for an additional partial payment of $130,000. Mr. Bradley made the additional payment on February 26.

As of the date of this report, $1,046,086 of principal agreed to be paid remains unpaid. Costar continues to forbear in exercising its remedies, but there can be no assurance that such forbearance will continue unless the promised payments are made.

Classification of Debt in January 31, 1992 Consolidated Balance Sheet

As a result of these events of noncompliance, all balances due to Congress, Signal and GEC under the respective loan agreements have been classified as current in the January 31, 1992 consolidated balance sheet. By its terms, the Costar debt is classified as current.

RESULTS OF OPERATIONS

During fiscal 1991, the Company discontinued its oil and gas operations and operates solely in the business of the design, tooling, manufacture and assembly of high volume, precision plastic products. The following is a discussion of the operations of the plastics business which are conducted in the U.S. by OPC and its subsidiaries, and in Ireland by DPL. Oil and gas operations are discussed below under "Discontinued Operations."

Three months ended January 31, 1992 compared to three months ended January 31, 1991

Sales increased $5.9 million or 70% to $14.3 million in the three months ended January 31, 1992 from $8.4 million in the three months ended January 31, 1991. The increase resulted from the inclusion of DPL on a consolidated basis beginning in July 1991 ($5.3 million) and a $.6 million increase in sales in the U.S. plastics operations realized from both molded parts and tool sales.

Cost of goods sold increased $5.0 million or 69% to $12.3 million in the three months ended January 31, 1992 from $7.3 million in the three months ended January 31, 1991. The increase resulted from the inclusion of DPL on a consolidated basis ($4.5 million) and a $.5 million increase because of higher sales and a change in product mix in the U.S. plastics operations. Gross profit margin increased slightly to 14.0% in the three months ended January 31, 1992 from 13.7% in the three months ended January 31, 1991 because of a change in product mix for molded parts sales and tool sales.

Selling, general and administrative expense increased $.4 million or 30% in the three months ended January 31, 1992 compared with the same period in 1991. This increase resulted from the inclusion of DPL on a consolidated basis.

Interest and guarantee fees expense increased $.5 million or 53% in the three months ended January 31, 1992 compared with the same period in 1991. The increase resulted from the inclusion of DPL on a consolidated basis and from higher levels of consolidated debt due to continuing losses.

Nine months ended January 31, 1992 compared to nine months ended January 31, 1991

Sales increased $11.6 million or 43% to $38.6 million in the nine months ended January 31, 1992 from $27.0 million in the nine months ended January 31, 1991. The increase resulted from the inclusion of DPL on a consolidated basis beginning in July 1991 ($11.1 million) and from improved sales volume in both molded parts and tools in the U.S. plastics operations. The Florida molding plant was shut down during the three months ended July 31, 1991; however, a majority of the facility's former customers are now being serviced by other divisions of OPC.

Cost of goods sold increased $11.0 million or 47% to $34.0 million in the nine months ended January 31, 1992 from $23.0 million in the nine months ended January 31, 1991. The increase resulted from the inclusion of DPL on a consolidated basis ($9.9 million) and because of a change in product mix in the U.S. plastics operations. Gross profit margin declined to 12.0% in the nine months ended January 31, 1992 from 14.8% in the nine months ended January 31, 1991 because of significantly lower margins realized on sales by DPL and because of an increase in direct labor and material costs associated with a change in product mix for molded parts sales and tool sales.

Selling, general and administrative expense increased $1.1 million or 29% in the nine months ended January 31, 1992 compared with the same period in 1991. This increase resulted from the inclusion of DPL on a consolidated basis and from costs associated with refinancing of bank debt of the U.S. plastics operations.

Interest and guarantee fees increased $.7 million or 16% in the nine months ended January 31, 1992 compared with the same period in 1991. The increase resulted from the inclusion of DPL on a consolidated basis and from higher levels of consolidated debt due to continuing losses.

The equity in loss of unconsolidated subsidiary represents the Company's equity in the loss of DPL for the period from December 1, 1990 through June 28, 1991, prior to the acquisition by Holdings of its 25% interest. Subsequent to that date, DPL is included in the financial statements on a consolidated basis.

Discontinued Operations - Oil & Gas

The Company sold substantially all of its oil and gas properties effective as of April 1, 1991. Prior to that time, substantially all of the Company's oil and gas interests were pledged as collateral for bank indebtedness, and all production revenues received by the Company, net of severance taxes and direct operating expenses, were paid to the bank. In connection with the sale of the oil and gas properties, this bank indebtedness was settled and the unpaid balance forgiven.

LIQUIDITY AND CAPITAL RESOURCES

As described in Note 4 of the Notes to Consolidated Financial Statements, as of August 12, 1991 the Company entered into a financing arrangement with a new lender for the plastics business, and restructured the repayment terms for the remaining debt. In connection with the debt restructuring, the Company and certain shareholders entered into agreements with certain of the Company's lenders which may result in further reduction and/or restructuring of this debt in certain circumstances. The Company is considering additional ways to reduce debt or convert it to equity, but there is no assurance that any such actions can be accomplished.

As described in Note 5 of the Notes to Consolidated Financial Statements, the Company and its subsidiaries are not in compliance with various financial covenants in its debt agreements with Congress and Signal. Unless the covenants are waived or changed, the Company will not be able to comply with them in the foreseeable future. There can be no assurances that the lenders will not exercise their rights under the loan agreements, including accelerating repayment. The Company does not have capital resources to make accelerated payments.

As described in Note 5 of the Notes to Consolidated Financial Statements, DPI has received a demand for immediate repayment of debt to Costar Corporation in the aggregate amount of approximately $4.7 million because of DPI's failure to pay approximately $1.1 million of principal and interest when due. The Company does not have capital resources to make any payment on this debt, and there can be no assurances that Costar will not exercise its rights under the loan agreements, including taking possession of the common shares of DPL owned by DPI and Holdings, if the guarantors fail to make payments as required under the guarantees and the forbearance letter agreement.

LIQUIDITY AND CAPITAL RESOURCES (continued)

The Company has taken steps in an effort to improve the economics of its plastics operations including reductions in the labor force and increased efforts to expand its customer base. Additionally, efforts have been made to reduce inventory levels and the related carrying costs and to improve the collections of accounts receivable, thereby improving cash flow. However, even at its highest levels of volume and efficiency, the plastics operations cannot generate sufficient amounts to service all of the Company's debt. Therefore, the Company does not have adequate capital resources for long-term operations without further restructuring and reducing its debt.

A significant customer of the U.S. plastics operations phased out its business with the Company in December 1991. However, the U.S. plastics operations have received new contracts from other existing customers which will more than offset the lost sales, beginning in the final quarter of the fiscal year ending April 30, 1992. As a result, cash flow from operations will be very restricted during the period January through March 1992. The Company believes that it will have sufficient funds available from operations and from its new revolving credit facility to enable it to fund its operating cash requirements through at least the next 12 months, assuming that the lenders do not reduce the availability of borrowings as a result of the events of default.

On June 30, 1993, all amounts owed by the Company to Signal become due and payable. At the present time, the Company is indebted to Signal in the approximate amount of $20 million. In order to meet the Company's obligation to repay Signal in June 1993, the Company intends to seek additional sources of debt or equity capital. If the Company does not obtain additional debt or equity capital prior to June 30, 1993, the Company may be required to re-enter negotiations with its lenders, enter into discussions with other potential lenders, seek other equity financing or consider other proceedings to restructure its obligations. The financial statements do not include any adjustment relating to recoverability and classification of recorded asset amounts or the amount or classification of liabilities that might be necessary should the Company be unable to continue in its present form.

Under its financing arrangements, the plastics business is subject to restrictions on the amount of capital expenditures permitted without approval from its lenders. The Company has no current plans for significant capital expenditures.

TEXON ENERGY CORPORATION AND SUBSIDIARIES
PART II. OTHER INFORMATION
ITEM 3. DEFAULTS UPON SENIOR SECURITIES

a) At January 31, 1992, OMPC and its subsidiaries were not in compliance with certain financial covenants contained in the loan agreements with Congress, relating to maintaining a specified minimum level of net worth and not exceeding certain limits on capital expenditures. Congress has not taken any action to accelerate payment of the loans or enforce any other remedies, but there can be no assurances that it will not do so. Congress has not agreed to waive these events of noncompliance.

b) As a result of the noncompliance with the financial covenants in the Congress loan agreements, the Company is not in compliance with covenants in its restructured loan agreement with Signal. Signal has not taken any action to accelerate payment of the note or enforce any other remedies, but there can be no assurance that it will not do so. Signal has not agreed to waive this event of noncompliance.

c) In February 1992 (subsequent to the balance sheet date), OMPC and its subsidiaries failed to pay, when due, a principal payment to GEC in the amount $50,000. GEC has not waived this event of default, but the Company does not expect GEC to take any action to accelerate this debt because arrangements have been made to pay this amount in four weekly installments during March 1992.

d) As of January 31, 1992, the Registrant's indirect 80% owned subsidiary, DPI, was in violation of certain payment obligations (aggregating approximately $1.1 million) under its note to Costar Corporation, which had an outstanding principal amount of $3,231,086 at that date. On November 14, 1991, DPI and another subsidiary, Holdings, received demand for immediate payment of all amounts outstanding (aggregating approximately $4.7 million) under their respective notes to Costar. As described in Note 5 of the Notes to Consolidated Financial Statements, DPI and Holdings, and guarantors of the debt, have entered into a letter agreement with Costar pursuant to which Costar agreed to forbear in exercising its remedies if certain payments are made and other agreed provisions are fulfilled.

e) At January 31, 1992, the Registrant was in default with respect to its Series B Preferred Stock and the Registrant's indirect 80% owned subsidiary, DPI, was in default with respect to its Series A Preferred Stock. The holders of that stock had agreed in June 1988 to waive past defaults and the timely payment of dividends on their respective shares of stock provided that past due dividends remain accrued, and future dividends continue to accrue, and were paid on or before June 30, 1991. These shareholders also had agreed not to exercise any rights to redeem the Registrant's Series B Preferred

ITEM 1. DEFAULTS UPON SENIOR SECURITIES (continued)

Stock until June 30, 1991. As of January 31, 1992, the dividends with respect to both the series had not been paid, and $165,600 of past due dividends were payable with respect to the Registrant's Series B Preferred Stock and $137,750 of past due dividends were payable with respect to DPI's Series A Preferred Stock.

ITEM 6. EXHIBIT AND REPORTS ON FORM 8-K

a) Exhibits.

None

b) Reports on Form 8-K

None

TEXON ENERGY CORPORATION AND SUBSIDIARIES
SIGNATURES

Pursuant to the requirements of Section 13 or 15 (d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TEXON ENERGY CORPORATION

Pierre R. Debroux
Chairman of the Board

Dated March 12th, 1992